

clear to trade



eurex clearing circular 023/16

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Recipients: All Clearing Members of Eurex Clearing AG and Vendors
Authorized by: Thomas Laux

 **Action required**

 **High priority**

EurexOTC Clear's new service:
Portfolio compression through triReduce® (TriOptima®)

Related Eurex Circular: 114/14

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Content may be most important for:

 All departments

Attachments:

none

Summary:

With EurexOTC Clear Release 5.0, Eurex Clearing has introduced technical and functional changes to support the multilateral portfolio compression service triReduce® offered by TriOptima®.

Portfolio compression aims to reduce the size of an existing OTC IRS portfolio with respect to the number of trades and notional through (partial) termination of bilaterally agreed trades after novation of Eurex Clearing.



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EurexOTC Clear's new service:
Portfolio compression through triReduce[®] (TriOptima[®])

With EurexOTC Clear Release 5.0, Eurex Clearing has introduced technical and functional changes to support the multilateral portfolio compression service triReduce[®] offered by TriOptima[®]. Portfolio compression aims to reduce the size of an existing OTC IRS portfolio with respect to the number of trades and notional through (partial) termination of bilaterally agreed trades after novation of Eurex Clearing.

In close consultation with market participants and TriOptima[®], Eurex Clearing announces the first compression life run in production for 7 April 2016. Before the go-live, Clearing Members will have the opportunity to participate in a production test run from 10 March 2016 to 15 March 2016.

Eurex Clearing will offer additional focus weeks in the simulation environment for trade upload and compression throughout March 2016. Clearing Members will be provided with details on the focus weeks by their sales representatives. During the focus weeks, availability of the simulation environment for free member testing might be limited or restricted. Details on simulation environment availability will be provided in upcoming simulation announcements.

1. Service Overview

Multilateral compression cycles will run with a specified frequency for trades in a predefined currency. Clearing Members may participate in a compression cycle at their own discretion, however prior to participation they must sign up for the service. The main features and scope of the first stage for portfolio compression are as follows:

- Accepted currencies: EUR, GBP, USD, CHF, JPY
- Unlinked multilateral compression
- D2D (Dealer-to-Dealer) compression (CM's P-accounts only)
- Planned compression frequency: Quarterly (EUR, USD, GBP), semi-annually (JPY, CHF)
- Eligible trades in CM's P-accounts will be submitted to TriOptima[®] and locked for Post Trade Events/Netting
- Eurex Clearing provides updates on CCP Trade IDs and UTIs (Unique Trade Identifiers)

Eurex Clearing already introduced a fee model for Multilateral Compression and Advanced Netting Service "Level 3-Rate Blending" (see Eurex Clearing circular 074/15). However, the announced fee waiver of 100 percent on compression and netting fees level 3 applies until 30 June 2016.

2. Eurex Clearing system enhancements to support triReduce[®]

Eurex Clearing system enhancements to support triReduce[®] have already been introduced with EurexOTC Clear Release 5.0 and are reflected in the respective release documentation as well as sample reports. They can be summarised as follows:

- Eurex Clearing will lock trades marked for compression (all trades in P-accounts for the product currency defined for the compression run will be locked) once the portfolio is submitted to triReduce[®] (TriOptima[®]). Hence no Post Trade Events or Netting can be applied on the trades.
- Trade status will be updated, once unwind proposal is provided by TriOptima[®] and processed.
- Eurex Clearing will perform the risk check similar to bulk backloading, i.e. considering portfolio effects.
- Clearing Members will receive updates on trade bookings via the usual reports and, if applicable, via FpML Interface for each trade (in the dress rehearsal phase, no trade notification is sent for trades where the status has changed).

- Once all Margin Calls (directly transmitted to EurexOTC) are settled, Eurex Clearing will immediately apply unwinds and partials. Therefore, there will be no risk that collaterals will be used for regular novation or listed business.
- Termination fees calculated by TriOptima[®] will be settled T+1 for EUR, CHF, GBP, USD and T+2 for JPY through Eurex Clearing.

3. Preparations necessary to start using the portfolio compression service via TriOptima[®] in production

Only Clearing Members are eligible to use the portfolio compression service, i.e. only trades that are part of their P-account qualify for a compression cycle (Dealer-to-Dealer compression). The following steps should be performed before using the compression service in production:

- Sign-up for the service at TriOptima[®]:
 - via adherence letter to the "triReduce[®] Eurex Clearing Compression Protocol" and send it to TriOptima[®] (please provide a copy to Eurex Clearing as well)
 - Ensure connectivity to TriOptima[®] (triReduce[®] website: <https://secure.trireduce.com/rates/>)
- Sign-up at Eurex Clearing
 - via the form "EurexOTC Clear Interest Rate Derivative Static Data Form for Clearing Member (Production)" and send it to your personal Key Account Manager at Eurex Clearing or to Eurex Clearing Admission & Onboarding support (including the copy of the adherence letter). The form is available on the Eurex Clearing website www.eurexclearing.com under the following path

Resources > Forms

Before running the compression cycle in production, which is planned for 7 April 2016, there will be a dress rehearsal compression run in product currency EUR. This will take place from 10 March 2016 to 15 March 2016 and will be based upon real production data; however, no compression will be executed. This test compression run is obligatory for all Clearing Members who intend to participate in the first full compression cycle on 7 April 2016.

The Dress Rehearsal test run includes the following steps:

- On Day 0**
- Sign up for the Dress Rehearsal on triReduce[®] website;
 - Trade Submission: Choose final selection of trades to be submitted for compression via triReduce[®] website
- On Day 2**
- Clearing Members check the matching-results with Eurex Clearing
 - Define tolerances on triReduce[®] website
 - Send Mark-to-Market (MtM) value/bucketed risk numbers for submitted trades via triReduce[®] website
- On Day 4**
- TriOptima[®] will provide status of the Dress Rehearsal Compression Run;
 - Eligible trades locked for the compression cycle are automatically released
 - Dress Rehearsal Compression Run stops here --

4. Supporting Teams and Hotlines

Eurex Clearing has assigned a dedicated personal Key Account Manager to guide each Clearing Member through the on boarding and admission process.

Further supporting teams at Eurex Clearing and TriOptima® are available under the following contact details:

TriOptima® local representative	
Telephone	London +44 20 7382 2200 New York +1 646 744 0400 Singapore +65 6372 8181 Stockholm +46 8 545 25130 Tokyo +81 3 3279 1600
TriOptima® Technical Support: triReduce®	
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